

Bill

Grandroy Mines Limited

Annual Report

For the Year Ended December 31st, 1969

DIRECTORS

| | | | | | | | | |
|----------------------|---|---|---|---|---|---|---|--------------------|
| PHILIP E. BOYLEN | - | - | - | - | - | - | - | TORONTO, ONTARIO |
| CHARLES B. BRANNIGAN | - | - | - | - | - | - | - | TORONTO, ONTARIO |
| MARK E. BUTLER | - | - | - | - | - | - | - | TORONTO, ONTARIO |
| D. W. GORDON | - | - | - | - | - | - | - | TORONTO, ONTARIO |
| GORDON L. MOORE | - | - | - | - | - | - | - | ISLINGTON, ONTARIO |

OFFICERS

| | | | | | | | | | |
|----------------------|---|---|---|---|---|---|---|---|---------------------|
| PHILIP E. BOYLEN | - | - | - | - | - | - | - | - | PRESIDENT |
| D. W. GORDON | - | - | - | - | - | - | - | - | VICE-PRESIDENT |
| GORDON L. MOORE | - | - | - | - | - | - | - | - | SECRETARY-TREASURER |
| CHARLES B. BRANNIGAN | - | - | - | - | - | - | - | - | ASSISTANT-SECRETARY |

TRANSFER AGENT
AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario

AUDITORS

LOFTUS A. ALLEN AND COMPANY
Toronto, Ontario

HEAD OFFICE

Suite 908 - 330 Bay Street
Toronto, Ontario

GRANDROY MINES LIMITED

GRANDROY MINES LIMITED

Directors' Report

To the Shareholders:

The Financial Statements of the Company for the fiscal year ended December 31, 1969, notes relative thereto and the report of the Auditors are submitted herewith. The Financial Statements of your Company and those of its subsidiary, Glen Silver Mining Corporation, have not been consolidated but Financial Statements of Glen Silver Mining Corporation are included in this report.

PROVINCE OF QUEBEC

St. Augustine and Johan Beetz Areas

Your Company holds two separate uranium properties in the Province of Quebec. One consists of seventy claims near St. Augustine on the north shore of the Gulf of St. Lawrence. The other, situated in the Johan Beetz area about eight miles north of the Gulf, covers some 2,400 acres which enclose a trenched uranium zone. Diamond drilling has tested only a part of this uranium zone, and further drill holes are planned.

Chibougamau Area

Your Company's holdings in the Chibougamau mining area of Quebec consist of 53 claims and one mining lease.

The first phase of a long range share-profit program terminated in 1969 when mining from the open pit of the ore body on the leased portion was completed. Your Company has received the sum of \$386,550. from the share-profit agreement. There are approximately 250,000 tons of copper ore indicated below the pit bottom which it will be necessary to mine by shaft.

The second phase of the long range program, as stipulated in an agreement with Campbell Chibougamau Mines Limited, is to be initiated during the current year. The work will be undertaken by the exploration staff of that Company, which has already performed a geophysical survey on part of the property. Several anomalies were indicated; most of them under the waters of Chibougamau Lake. One of the anomalies represents a particularly strong conductor, and on March 16 the exploration manager reported as follows:

"It was decided to drill test the Machin Bay anomaly first, and a minimum of 2,000 feet is planned here. The first vertical hole has just been completed with strong pyrite mineralization and traces of chalcopyrite reported over narrow widths. The next vertical hole is planned 100 feet to the east."

VICTORIA ISLAND, NORTHWEST TERRITORIES

During the summer of 1969 the Arctic exploration program was concentrated on 72 of the 144 claims held outright by your Company, while reconnaissance prospecting covered the remainder. The supervising geologist, O. A. Seeber, B.A., reported widespread copper mineralization that will require geophysical surveying and diamond drilling in the coming season. A survey and exploration program is currently in progress. Also, as revealed in the Annual Report of May, 1969, your Company holds a 50% interest in 1,080 claims staked on similar copper-bearing formations.

IDAHO, UNITED STATES

Holding a 60% interest in Glen Silver Mining Corporation, your Company undertook a diamond drilling program on the Idaho property during 1969. Some 3,066 feet of surface and underground drilling was completed. Although the recovery of core in the host rock was only about 60%, one of the

holes intersected 124 feet of silver assaying 1.38 ounces per ton. In view of the poor core recovery, the project geologist has recommended percussion drilling with sludge collection rather than conventional diamond drilling, and the Company's management is considering the recommendation.

PROVINCE OF ONTARIO

Uchi Lake Area

In 1969 your Company succeeded in acquiring for staking cost, 14 claims in Honeywell and Agnew Townships following the discovery of an impressive base metal deposit by Selco Exploration Company Limited in the Uchi Lake area of Ontario. Subsequently your Company's claims were geophysically surveyed with airborne equipment, and the ground was prospected by a field crew.

Sufficient work has been done to keep the claims in good standing until January, 1972, and in the meantime technical surveys will be undertaken.

Savant Lake Area

In the fall of 1969 Mattagami Lake Mines Limited announced the discovery of a large base metal ore body near Sturgeon Lake, Ontario. Your Company, acting jointly with Northern Canada Mines Limited and The Coniagas Mines, Limited, has now acquired for cost of staking, 150 claims comprising four separate groups located at Savant Lake, a more northerly area that had been aerially surveyed in 1962. Your Company retains a 40% interest in each of these groups, where geophysical surveying and diamond drilling programs are in progress.

PROVINCE OF NEW BRUNSWICK

Bathurst Area

This property of 1,090 acres straddles a mile of the favourable Brunswick formations at a location more or less midway between the Brunswick No. 6 and No. 12 mines, where reserves exceed 90,000,000 tons of base metal and silver ore.

In 1969, three diamond drill holes, totalling 4,095 feet, were drilled in the western part of the favourable zone. Pyrite mineralization was encountered in each hole, especially in the most easterly of the three, where recognizable lead and zinc sulphides were intersected at depth.

A program of line cutting was initiated in preparation for a recommended geochemical survey. This program was interrupted by winter conditions, though not before a limited number of soil samples had been collected at the site of a previously overlooked electromagnetic anomaly. The samples indicate the presence of lead, zinc and copper in the soil of the zone, and this encouraging coincidence is enhanced by the inferred geological environment. The favourable Brunswick horizons are believed to underlie the combined anomaly.

Drill testing of the anomaly is now in progress and the interrupted line cutting and geochemical survey has been resumed.

GENERAL

Your Company plans an extensive exploration program in the current year with special emphasis on the holdings in the Northwest Territories and in the Province of New Brunswick.

Respectfully submitted on behalf of the Board of Directors,

PHILIP E. BOYLEN,
President.

Toronto, Ontario,
May 21, 1970.

LOFTUS A. ALLEN & COMPANY

CHARTERED ACCOUNTANTS

SUITE 1910 - P.O. BOX 151
TORONTO DOMINION TOWER
TORONTO-DOMINION CENTRE
TORONTO 111, CANADA

TELEPHONE 363-8348
AREA CODE 416

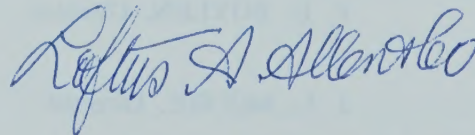
Auditors' Report to the Shareholders

We have examined the balance sheet of

GRANDROY MINES LIMITED

as at December 31, 1969 and the statements of deficit, deferred expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Ontario,
February 27, 1970.

Chartered Accountants

GRANDROY M

(Incorporated under the laws of the Province of Ontario)

Balance Sheet as at December 31, 1969 (with comparative figures for 1968)

ASSETS

| | 1969 | 1968 |
|--|----------|----------|
| Cash | \$ 2,967 | \$ 8,195 |
| Short term deposits | 50,000 | 170,000 |
| Accounts receivable | 5,237 | 2,852 |
| Receivable from Campbell Chibougamau Mines Ltd. (No Personal Liability) | 8,157 | 217,271 |
| Investment in shares of other mining companies — at cost (market value, 1969 — \$29,092; 1968 — \$44,963 — Note 2) | 129,456 | 154,326 |
| Investment in shares and debentures of a subsidiary company — Note 3 | 127,401 | — |
| Advance to subsidiary company | 1,763 | 44,429 |
| Mining license, development licenses and unpatented mining claims — at cost | 198,655 | 197,236 |
| Fixed Assets — at cost less accumulated depreciation, 1969 — \$11,163; 1968 — \$9,938 | 3,576 | 3,731 |
| Deferred development and administrative expenditures — per statement ... | 467,314 | 216,884 |

Approved on behalf of the Board:

P. E. BOYLEN, Director.

J. L. MOORE, Director.

| | |
|-------------------|--------------------|
| <u>\$ 994,526</u> | <u>\$1,014,924</u> |
|-------------------|--------------------|

The accompanying notes form an integral part of these financial statements.

INES LIMITED

(Incorporated under the Laws of Ontario)

December 31, 1969

(Figures for 1968)

LIABILITIES

| | 1969 | 1968 |
|--|-------------------|-------------------|
| Accounts payable and accrued liabilities | \$ 9,957 | \$ 16,854 |
| Shareholders' Equity | | |
| Capital Stock | | |
| Authorized | | |
| 10,000,000 Shares of no par value | | |
| Issued and Fully Paid | | |
| 5,755,128 | \$2,000,804 | \$2,000,804 |
| Deficit — | | |
| per statement | 1,016,235 | 1,002,734 |
| | <u>\$ 984,569</u> | <u>\$ 998,070</u> |

Auditors' report attached.

| | |
|-------------------|--------------------|
| <u>\$ 994,526</u> | <u>\$1,014,924</u> |
|-------------------|--------------------|

Part of these financial statements.

GRANDROY MINES LIMITED

Statement of Deficit

For the Year Ended December 31, 1969
(with comparative figures for 1968)

| | 1969 | 1968 |
|---|--------------------|--------------------|
| BALANCE, January 1 | \$1,002,734 | \$ 999,499 |
| ADD — Loss on sale of investments | 13,501 | 3,235 |
| BALANCE, December 31 | <u>\$1,016,235</u> | <u>\$1,002,734</u> |

Statement of Deferred Expenditures

For the Year Ended December 31, 1969
(with comparative figures for 1968)

| | 1969 | 1968 |
|---|-------------------|-------------------|
| DEVELOPMENT EXPENSE | | |
| BALANCE, January 1 | <u>\$ 437,491</u> | <u>\$ 310,334</u> |
| Additions during year | | |
| Assays | \$ 635 | \$ 1,241 |
| Consulting fees | 2,680 | 1,562 |
| Diamond drilling | 74,513 | (1,055) |
| Geologists' fees and expenses | 16,333 | 15,859 |
| License and transfer fees | 30 | 6,038 |
| Maps and blueprints | 4,222 | 4,178 |
| Surface exploration | 15,198 | 89,939 |
| Surface superintendence | — | 2,865 |
| Surveys | 370 | 6,530 |
| Travelling and transportation | 83,992 | — |
| Buildings and camp preparation | 4,483 | — |
| Camp supplies | 19,361 | — |
| Wages — prospectors' helpers and line cutting | 17,414 | — |
| Core boxes | 232 | — |
| | <u>\$ 239,463</u> | <u>\$ 127,157</u> |
| BALANCE, December 31 | <u>\$ 676,954</u> | <u>\$ 437,491</u> |

GRANDROY MINES LIMITED

Statement of Deferred Expenditures

For the Year Ended December 31, 1969

(with comparative figures for 1968)

| | 1969 | 1968 |
|-----------------------------------|-------------------|-------------------|
| ADMINISTRATIVE EXPENSE | | |
| BALANCE, January 1 | \$ 160,601 | \$ 129,957 |
| Additions during year | | |
| Advertising | \$ 755 | \$ — |
| Automotive maintenance | 317 | 584 |
| General expenses | 224 | 598 |
| Bank charges | 35 | 46 |
| Legal and audit | 2,408 | 4,900 |
| Listing and sustaining fee | 200 | 3,450 |
| Office and stationery | 514 | 3,044 |
| Maps and blueprints | — | 16 |
| Telephone and postage | 144 | 583 |
| Transfer agent and registrar fees | 2,172 | 8,286 |
| Executive salary | 6,000 | 2,000 |
| Travelling | 873 | 152 |
| Interest — net | (9,042) | (6,399) |
| Head office administrative | 6,000 | 6,000 |
| Reports to shareholders | 2,148 | 2,361 |
| Depreciation expense | 1,222 | 1,933 |
| Filing fees | 25 | 470 |
| Insurance | 429 | 213 |
| Capital and business tax | 567 | 407 |
| Directors' fees | 2,000 | 2,000 |
| Mining licenses | (682) | — |
| | <u>\$ 16,309</u> | <u>\$ 30,644</u> |
| BALANCE, December 31 | <u>\$ 176,910</u> | <u>\$ 160,601</u> |

SUMMARY

| | | |
|--|-------------------|-------------------|
| Development Expense | \$ 676,954 | \$ 437,491 |
| Administrative Expense | 176,910 | 160,601 |
| | <u>\$ 853,864</u> | <u>\$ 598,092</u> |
| DEDUCT — | | |
| Net profit from joint venture with Campbell Chibougamau Mines Ltd. (No Personal Liability) — Note 1 | 386,550 | 381,208 |
| | <u>\$ 467,314</u> | <u>\$ 216,884</u> |

GRANDROY MINES LIMITED

Statement of Income and Expenses

FROM JOINT VENTURE WITH
CAMPBELL CHIBOUGAMAU MINES LTD.

(No Personal Liability)

For the Year Ended December 31, 1969

(with comparative figures for 1968)

| | 1969 | 1968 |
|--|------------------|-------------------|
| Gross Income | \$ 65,407 | \$1,373,117 |
| LESS: Marketing, mining, milling and administrative expenses | 54,949 | 837,393 |
| | <u>\$ 10,458</u> | <u>\$ 535,724</u> |
| LESS: Preproduction expenses | (240) | (1,227) |
| | <u>\$ 10,698</u> | <u>\$ 536,951</u> |
| LESS: Mining duties | 14 | 75,403 |
| | <u>\$ 10,684</u> | <u>\$ 461,548</u> |
| Divided as follows: | | |
| Grandroy Mines Limited | \$ 5,342 | \$ 230,774 |
| Campbell Chibougamau Mines Ltd. (No Personal Liability) | 5,342 | 230,774 |
| | <u>\$ 10,684</u> | <u>\$461,548</u> |

SUMMARY

| | | |
|----------------------------|-------------------|-------------------|
| BALANCE, January 1 | \$ 381,208 | \$ 150,434 |
| Net profit | 5,342 | 230,774 |
| BALANCE, December 31 | <u>\$ 386,550</u> | <u>\$ 381,208</u> |

GRANDROY MINES LIMITED

Statement of Source and Application of Funds

For the Year Ended December 31, 1969
(with comparative figures for 1968)

| FUNDS WERE PROVIDED FROM | 1969 | 1968 |
|---|------------------|-------------------|
| Net profit from joint venture with Campbell Chibougamau Mines Ltd. (No Personal Liability) | \$ 5,342 | \$ 230,774 |
| Sale of investments | 11,369 | 716 |
| Depreciation charged to deferred expenses which does not require a cash outlay | 1,222 | 1,933 |
| Capital stock issued | — | 362,049 |
| | <u>\$ 17,933</u> | <u>\$ 595,472</u> |
| FUNDS WERE USED FOR | | |
| Acquisition of mining claims | | |
| 12 claims, Red Lake area, Ontario | \$ 738 | \$ — |
| 2 claims, Red Lake area, Ontario | 123 | — |
| 70 claims, St. Augustine River area, P.Q. | — | 4,810 |
| 144 claims, Victoria Island area, N.W.T. | — | 9,600 |
| Acquisition of 50% interest in mining claims — | | |
| 1,080 claims, Victoria Island area, N.W.T. | — | 36,037 |
| Sundry additions to existing claims | 558 | — |
| Investment in shares of other mining companies | 127,401 | 3,857 |
| Purchase of field equipment | 1,067 | — |
| Purchase of automobile | — | 3,846 |
| Deferred mine development and administrative expenses | 255,772 | 157,801 |
| Increase (decrease) in working capital | (367,726) | 379,521 |
| | <u>\$ 17,933</u> | <u>\$ 595,472</u> |

GRANDROY MINES LIMITED

Notes to Financial Statements

As at December 31, 1969

1. Joint Venture

Under the terms of an agreement dated January 5, 1967, Campbell Chibougamau Mines Ltd. (No Personal Liability) has provided funds, personnel, equipment and services necessary to bring into production mining claims owned by Grandroy Mines Limited in the Township of Roy in the Province of Quebec presently held under a Mining Lease. Campbell Chibougamau Mines Ltd. (No Personal Liability) treated the ore at its milling plant and sold the recovered metals in the usual manner. After repayment to Campbell Chibougamau Mines Ltd. (No Personal Liability) of all capital and preproduction expenses incurred by it, Grandroy Mines Limited and Campbell Chibougamau Mines Ltd. (No Personal Liability) shared equally in the net profits (as defined) derived from the mine. The mining of ore ceased in November of 1968 although proceeds from metal sales were received until December 31, 1969.

The net profit from the joint venture with Campbell Chibougamau Mines Ltd. (No Personal Liability) has been deducted from the deferred expenditures as these expenditures are related primarily to the operating property.

2. Investment in Shares of Other Mining Companies — at Cost

| | Market Value 1969 | Book Value 1969 | 1968 |
|--------------------------------------|-------------------------|--------------------|-------------------|
| Atlantic Coast Copper | \$ — | \$ — | \$ 24,870 |
| Bocabois Gold — not valued | — | — | — |
| Beauce Placer Mining Co. Ltd. | 4,200 | 17,625 | 17,625 |
| Captain Mines Limited | 2,957 | 3,857 | 3,857 |
| The Coniagas Mines Limited | 13,000 | 87,808 | 87,808 |
| Dominion of Canada 4¼ % — 1972 | 910 | 1,000 | 1,000 |
| Eastmont Larder — not valued | — | — | — |
| Kontiki Lead — not valued | — | — | — |
| Northern Canada Mines | 8,025 | 19,166 | 19,166 |
| | <u>\$ 29,092</u> | <u>\$ 129,456</u> | <u>\$ 154,326</u> |

3. Investment in Shares and Debentures of a Subsidiary Company

Grandroy Mines Limited holds a 60% interest in Glen Silver Mining Corporation, an Idaho company, acquired through a commitment to purchase 600,000 shares of Glen Silver for \$62,601. The proceeds of the sale of shares to Grandroy are being used for the exploration of the claims and other corporate expenses of Glen Silver. In addition, Grandroy has spent \$64,800 out of a commitment of \$100,000 for exploration and development. The amount spent, as well as further expenditures up to \$100,000, is secured by 6% debentures. Grandroy is also required to provide whatever additional funds are necessary after the aforesaid \$100,000 is expended to put the mine into production, provided the expenditure is reasonable and feasible. The debentures and expenditure of additional funds are to be repaid from the profits of the corporation before any profits will be divided between Grandroy and Glen Silver.

During negotiations in 1968, Grandroy advanced \$45,156 for exploration and development of the Glen Silver properties. On the 1968 financial statement, this amount was shown in the accounts receivable. Now that negotiations have been completed, the 1968 figures have been adjusted to be comparative with 1969.

4. Unconsolidated Subsidiary

Unconsolidated financial statements of Grandroy Mines Limited and its subsidiary company, Glen Silver Mining Corporation, are being presented separately to the shareholders because, in the opinion of the directors, only 60% of the subsidiary is owned by the company and separate statements of the companies are the most informative to the shareholders.

BURNS, SWANSON & SHEPPARD

CERTIFIED PUBLIC ACCOUNTANTS

CALVIN E. BURNS, C.P.A.

LELAND J. SWANSON, C.P.A.

RICHARD E. SHEPPARD, C.P.A.

NINTH AND DEARBORN
CALDWELL, IDAHO 83605
PHONE 459-3696

1134 NORTH ORCHARD
BOISE, IDAHO 83704
PHONE 375-2738

Glen Silver Mining Corporation
Homedale, Idaho

Gentlemen:

We have examined the balance sheet of Glen Silver Mining Corporation at December 31, 1969. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and schedule of mine development and administrative expense present fairly the financial position of Glen Silver Mining Corporation as of December 31, 1969 in conformity with generally accepted accounting principles.

Very truly yours,

May 14, 1970
Caldwell, Idaho

BURNS AND SWANSON,
Certified Public Accountants

GLEN SILVER MINING CORPORATION

Balance Sheet as at December 31, 1969

ASSETS

| | |
|--|---------------------|
| Cash on deposit | \$ 231.48 |
| Deposit with State Insurance Fund | 578.94 |
| Loan receivable, North American Silver Corporation, note A | 2,000.00 |
| Mining leases and options to purchase | 40,000.00 |
| Mine development and administrative expense | 114,714.42 |
| Advance royalties, note B | 4,800.00 |
| Unamortized organization cost | 462.50 |
| | <u>\$162,787.34</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|---------------------|
| Accounts payable, Grandroy Mines Limited | \$ 1,574.92 |
| Accrued interest on debentures | 1,212.42 |
| Debentures payable, Grandroy Mines Limited, 6%, due starting at May 2, 1972 through December 31, 1972 | 60,000.00 |
| Stockholders' Equity, Note C: | |
| Common stock, authorized, 1,000,000 shares, no par value; issued and outstanding, 1,000,000 shares at stated value of 10¢ | 100,000.00 |
| | <u>\$162,787.34</u> |

See notes to financial statements.

GLEN SILVER MINING CORPORATION

Notes to Financial Statements

December 31, 1969

NOTE A — Loan Receivable:

A loan was made to North American Silver Corporation November 20, 1969 and is to be repaid by June 30, 1970.

NOTE B — Advance Royalties:

Under the terms of a lease dated July 10, 1968 advance royalties in the amounts of \$300.00 per month are guaranteed to Asher Getchell and Margaret Getchell for five years. Payments advanced are to be deducted from royalties paid under the lease when ores are produced.

NOTE C — Contingent Liabilities:

Articles of incorporation were filed September 24, 1968 and no corporate income tax returns have yet been filed.

Schedule of Mine Development and Administrative Expense

December 31, 1969

| | |
|--|--------------|
| Travel — fares, mileage, car rental, motel and meals | \$ 10,326.18 |
| Freight, office expense, other expense and repairs | 1,423.55 |
| Salaries and overhead | 26,479.79 |
| Legal and accounting | 126.87 |
| Assayer | 3,893.90 |
| Salaries | 5,858.28 |
| Payroll taxes | 452.39 |
| Workmen's Compensation insurance | 425.11 |
| Machine hire | 4,187.00 |
| Drilling expense | 35,496.27 |
| Surface exploration | 23,521.45 |
| Telephone | 1,311.21 |
| Debenture interest | 1,212.42 |
| | <hr/> |
| | \$114,714.42 |

